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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

|                          |                    |
|--------------------------|--------------------|
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SECTION

## FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2001 AND ENDING 12/31/2001  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

StoneBridge Securities LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2505 2nd Ave Suite 515

(No. and Street)

Seattle

(City)

Washington

(State)

98121

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Michael A. Henderson206-484-3848

(Area Code - Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Local International CPA & Advisors, LLC

(Name - if individual, state last, first, middle name)

110 Wall St. Suite 15C New York, N.Y.

(Address)

(City)

(State)

10005 PMB 120

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 26 2002

THOMSON  
FINANCIAL

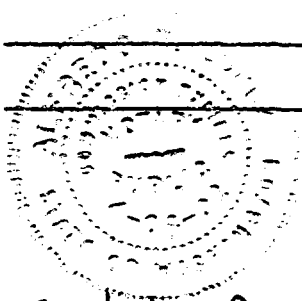
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

Uf  
3-22-02

OATH OR AFFIRMATION

I, Michael A. Hendrickson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of StoneBridge Securities L.L.C., as of February 22, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Alfred R. Lopez  
Notary Public  
Commission Expires 4-4-02

Michael A. Hendrickson  
Signature  
Managing Principal  
Title

This report\*\* contains (check all applicable boxes):

- ☐ (a) Facing page.
- ☐ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

## CONTENTS

|   | Page |
|---|------|
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  | 1    |
| FINANCIAL STATEMENTS  |      |
| STATEMENTS OF FINANCIAL CONDITION   | 3    |
| STATEMENTS OF OPERATIONS  | 4    |
| STATEMENTS OF CHANGES IN MEMBERS' EQUITY  | 5    |
| STATEMENTS OF CASH FLOWS  | 6    |
| NOTES TO FINANCIAL STATEMENTS   | 7    |
| SUPPLEMENTARY INFORMATION   |      |
| SCHEDULE 1 - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1   | 11   |
| REPORT OF INDEPENDENT CERTIFIED PUBLIC<br>ACCOUNTANTS ON INTERNAL CONTROL STRUCTURE<br>REQUIRED BY RULE 17a-5 OF THE SECURITIES<br>AND ECHANGE COMMISSION | 12   |

# **LORAL INTERNATIONAL**

CPA & Advisor, L.L.C.

Member of the American SEC Practice Section

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Main Address : 110 Wall Street, Suite 15C, New York, New York 10005  
Telephone: (212) 701-8587 Fax: (212) 701-8543

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## **Independent Auditor's Report**

To The Members

Stonebridge Securities LLC (f.k.a. Base Capital Securities LLC)

We have audited the accompanying balance sheet of Stonebridge Securities LLC (f.k.a. Base Capital Securities LLC) as of December 31, 2001 and the related statement of operations, changes in members' equity and cash flows for the year ended December 31, 2001 that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly assuming that the Company will continue as a going concern (see Note 1k, Going Concern), in all material respects, the balance sheet of Stonebridge Securities LLC (f.k.a. Base Capital Securities LLC) as of December 31, 2001 and the results of its operations and its cash flows for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been

subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Loral International CPA & Advisor, LLC*

Loral International CPA & Advisor, LLC.

New York, New York

February 28, 2002

**Stonebridge Securities LLC**  
(f.k.a. Base Capital Securities LLC)

BALANCE SHEETS

December 31, 2001 and 2000

ASSETS

|  | <u>2001</u>             | <u>2000</u>             |
|--|-------------------------|-------------------------|
| Cash and cash equivalents (Note 1e)  | \$ 18,475               | \$ 25,473               |
| Marketable equity securities (Note 1f)   | 8,434                   | 15,465                  |
| Accounts receivable (Note 1g)  | -                       | 32,050                  |
| Prepaid expenses   | 315                     | 315                     |
| Equipment, net of accumulated depreciation<br>of \$3,650 and \$1,562 (Note 1h) | <u>6,791</u>            | <u>6,248</u>            |
|  | <u><u>\$ 34,015</u></u> | <u><u>\$ 79,551</u></u> |

LIABILITIES AND MEMBERS' EQUITY

|                  |                         |                         |
|------------------|-------------------------|-------------------------|
| Accounts payable | \$ 33                   | \$ 43                   |
| Members' equity  | <u>33,982</u>           | <u>79,508</u>           |
|                  | <u><u>\$ 34,015</u></u> | <u><u>\$ 79,551</u></u> |

The accompanying notes are an integral part of these statements.

**Stonebridge Securities LLC**  
(f.k.a. Base Capital Securities LLC)

**STATEMENTS OF OPERATIONS**

Years ended December 31, 2001 and 2000

|                                       | <u>2001</u>               | <u>2000</u>             |
|---------------------------------------|---------------------------|-------------------------|
| Income                                |                           |                         |
| Commissions (Note 1d)                 | \$ 68,150                 | \$ 130,010              |
| Consulting                            | -                         | 89,803                  |
| Investment Income                     | 522                       | 718                     |
| Unrealized gain (loss) on investments | <u>(6,747)</u>            | <u>(12,184)</u>         |
|                                       | 61,925                    | 208,347                 |
| Expenses                              |                           |                         |
| Management and consulting fees        | 12,000                    | 101,675                 |
| Sales Commission                      | 2,000                     | -                       |
| Professional fees                     | 16,083                    | 18,470                  |
| Rent                                  | 10,294                    | 28,546                  |
| Depreciation expense                  | 2,088                     | 1,562                   |
| Travel and entertainment              | 18,569                    | 10,261                  |
| Licenses and permits                  | 4,120                     | 3,074                   |
| Publications and promotions           | 953                       | 2,369                   |
| Telephone                             | 4,113                     | -                       |
| Parking and auto                      | 1,079                     | 2,997                   |
| Other expenses                        | <u>3,658</u>              | <u>1,770</u>            |
|                                       | 74,957                    | 170,724                 |
| NET INCOME (LOSS)                     | <u><u>\$ (13,032)</u></u> | <u><u>\$ 37,623</u></u> |

The accompanying notes are an integral part of these statements.

**Stonebridge Securities LLC**  
(f.k.a. Base Capital Securities LLC)

**STATEMENT OF CHANGES IN MEMBERS' EQUITY**

Years ended December 31, 2001 and 2000

|                                    |                         |
|------------------------------------|-------------------------|
| Balance at December 31, 1999       | \$ 38,996               |
| Capital contributions from members | 4,000                   |
| Distributions to members           | (1,111)                 |
| Net income for the year            | <u>37,623</u>           |
| Balance at December 31, 2000       | 79,508                  |
| Distributions to members           | (32,494)                |
| Net (loss) for the year            | <u>(13,032)</u>         |
| Balance at December 31, 2001       | <u><u>\$ 33,982</u></u> |

The accompanying notes are an integral part of these statements.



**Stonebridge Securities LLC**  
(f.k.a. Base Capital Securities LLC)

**STATEMENTS OF CASH FLOWS**

Years ended December 31, 2001 and 2000

| Increase (Decrease) in Cash and Cash Equivalents   | <u>2001</u>             | <u>2000</u>             |
|--|-------------------------|-------------------------|
| Cash flows from operating activities   |                         |                         |
| Net income (loss)  | \$ (13,032)             | \$ 37,623               |
| Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities |                         |                         |
| Depreciation   | 2,088                   | 1,562                   |
| Unrealized loss (gain) on marketable equity securities   | 6,747                   | 12,184                  |
| Change in assets and liabilities   |                         |                         |
| Marketable equity securities   | 284                     | (136)                   |
| Accounts receivable  | 32,050                  | (32,050)                |
| Prepaid expenses   | -                       | -                       |
| Accounts payable   | <u>(10)</u>             | <u>(107)</u>            |
| Net cash provided by operating activities  | <u>28,127</u>           | <u>19,076</u>           |
| Cash flows from investing activities   |                         |                         |
| Purchase of equipment  | <u>(2,631)</u>          | <u>(7,441)</u>          |
| Net cash used in investing activities  | <u>(2,631)</u>          | <u>(7,441)</u>          |
| Cash flows from financing activities   |                         |                         |
| Proceeds from capital contributions  | -                       | 4,000                   |
| Distributions to members   | <u>(32,494)</u>         | <u>(1,111)</u>          |
| Net cash provided by (used in) financing activities  | <u>(32,494)</u>         | <u>2,889</u>            |
| Net increase (decrease) in cash and cash equivalents   | (6,998)                 | 14,524                  |
| Cash and cash equivalents at beginning of period   | <u>25,473</u>           | <u>10,949</u>           |
| Cash and cash equivalents at end of period   | <u><u>\$ 18,475</u></u> | <u><u>\$ 25,473</u></u> |

The accompanying notes are an integral part of these statements.

## NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements are as follows.

a) History and Business Activity

Stonebridge Securities LLC (“the Company”) is a limited liability company, which was organized under the laws of the State of Washington on March 19, 1999 under the name of Base Capital Securities LLC. The Company subsequently changed to its current name on April 13, 2001. The Company is a NASD member broker dealer. The Company’s services include: raising capital for clients through the private placement process by placing securities with accredited investors, providing fee based financial structure and consulting, and providing mutual funds and variable annuities to clients. The Company is exempt from the reserve requirements under SEC Rule 15c3-3(k)(2)(ii) since it does not handle or carry customer securities and cash.

b) Comparative Figures

We only audited the financial statements for the year ended December 31, 2001 (See Independent Auditor’s Report, Page 1). The financial statements for the year ended December 31, 2000 was audited by another auditor. For comparative purposes, we have adopted the numbers as quoted in the prior year’s audit report that was not audited by us.

c) The calendar year ending December 31

The Company adopts December 31 as its calendar year ending date since its incorporation.

d) Revenue Recognition

Commissions income is recognized when the Company successfully raises capital for a client. Commission percentages are generally base on contractual agreements and range from 5% to 8% of the amount raised. Revenue from consulting services is recognized when the services are performed.

e) Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Company’s policy is to invest cash in excess of operating requirements in income producing investments. Money market accounts are stated at lower of cost or market. The balances as of December 31, 2001 and 2000 are \$18,475 and \$25,473.

f) Marketable Equity Securities

All marketable equity securities are deemed by management to be trading and are reported at fair value with net realized and unrealized gains or losses reported in operations. The balances as of December 31, 2001 and 2000 are \$8,434 and \$15,465. The securities are held in trust by Charles Schwab & Co., Inc.

g) Receivables

The Company considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts became uncollectible, they will be charged to operations when that determination is made.

h) Equipment

Equipment is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives of five years.

i) Income Taxes

Since for tax purpose, Limited Liability Corporation (LLC) is treated as a partnership, therefore, the income tax of the Company is the obligation of the individual principal, and is not included in the accompanying financial statements.

j) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumption that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

k) Going Concern

The Company's revenue decreased significantly for the current year ended December 31, 2001 as compared to the prior year ended December 31, 2000. As a result, the Company recorded a net operating loss of \$13,032 for the current year. If this situation continues, it may affect the Company's ability to continue its business operations as a going concern. Despite that the management has indicated its confidence to continue its operations by attracting new business, the Company's operations is dependent on the continuing cash inflows from new business, and/or capital commitment from its existing shareholders.

**NOTE 2 – NET CAPITAL REQUIREMENT**

The Company is subject to the net capital rule (Rule 15c3-1) of the Securities and Exchange

Commission. This rule prohibits the Company from engaging in any securities transaction at a time when its "aggregate indebtedness" exceeds eight times its "net capital" as those terms are defined by the rule. At December 31, 2001, the Company's net capital and required net capital were \$23,563 and \$5,000, respectively, and its ratio of aggregate indebtedness to net capital was .001 to 1.0. At December 31, 2000, the Company's net capital and required net capital were \$31,457 and \$5,000, respectively, and its ratio of aggregate indebtedness to net capital was .001 to 1.0.

### **NOTE 3 – RELATED PARTY TRANSACTIONS**

During the year of 2001, the Company shared its office facility located at 2505 Second Avenue, Suite 515, Seattle, WA 98121 with Stonebridge Capital Partners LLC. The shareholders of the Company are also the shareholders of Stonebridge Capital Partners LLC.

During the year of 2001, all revenue generated by the Company is referred by Base Capital LLC, a related company incorporated in the State of Washington. A major shareholder of the Company owns a certain percentage of Base Capital LLC.

The Company incurred management and consulting fees of \$12,000 and \$101,675 for the years ended December 31, 2001 and 2000 respectively. These services are provided by the shareholders of the Company.

**Stonebridge Securities LLC**  
(f.k.a. Base Capital Securities LLC)

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1

December 31, 2001

|   |                  |
|---|------------------|
| Aggregate indebtedness  | <u>\$ 33</u>     |
| Net Capital   |                  |
| Total members' equity   | \$ 33,982        |
| Adjustments to net capital pursuant to Rule 15c3-1:               |                  |
| Accounts receivable   | -                |
| Prepaid expenses  | (315)            |
| Equipment, net of accumulated depreciation of \$3,650             | <u>(6,791)</u>   |
|   | (7,106)          |
| Net capital before haircuts on securities (tentative net capital) | <u>26,876</u>    |
| Haircut on equity securities                                      | <u>1,687</u>     |
| NET CAPITAL   | <u>28,563</u>    |
| Minimum net capital requirement                                   | <u>5,000</u>     |
| Excess net capital over minimum requirement                       | <u>\$ 23,563</u> |
| Ratio of aggregate indebtedness to net capital                    | <u>.001:1</u>    |

There was no difference between the Company's computation of net capital, as previously reported in the fourthquarter unaudited FOCUS Form X-17A-5 Part II, and the Computation above.

# **LORAL INTERNATIONAL**

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Telephone: (212) 701-8587 Fax: (212) 701-8543

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## **Report of Independent Certified Public Accountants on Internal Control Structure Required by Rule 17a-5 Of the Securities and Exchange Commission**

To The Members

Stonebridge Securities LLC (f.k.a. Base Capital Securities LLC)

In planning and performing our audit of the financial statements of Stonebridge Securities LLC (f.k.a. Base Capital Securities LLC), for the period ended December 31, 2001, we have taken into consideration the Company's internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The audit is not designed to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g). We also make the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exempt provisions of Rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company, (1) in making quarterly securities examinations, counts, verifications, and comparisons, (2) or recordation of differences required by rule 17a-13 complying with requirements for prompt payment for securities under Section 8(b) of Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedure and of the practices and procedures referred to in the preceding paragraph and to assess whether those practice and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of


the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our audit would not necessarily disclose all matters in the internal control structure that might be considered as material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we are not aware of any matter involving the internal control structure that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives, in all material respects, indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the SEC's objectives.

This report is intended solely for the use of the Members, management, the SEC, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

  
Loral International CPA & Advisor, LLC  
New York, New York  
February 28, 2002